



# PT EXCELCOMINDO PRATAMA, TBK. (XL) FY 2007

## Disclaimer

This document contains certain financial information and results of operation, and may also contain certain projections, plans, strategies and objectives of XL, that are not statements of historical fact which would be treated as forward looking statements within the meaning of applicable law. Forward looking statements are subject to risks and uncertainties that may cause actual events and XL's future results to be materially different than expected or indicated by such statements. No assurance can be given that the results anticipated by XL, or indicated by any such forward looking statements, will be achieved.

## INTRODUCTION

In 2007, we realized 38% YoY growth in revenues net of discounts. This was attributable to increase in subscriber base of 62% YoY to 15.5 mn and significant growth in O/G MoU per subs of 74% YoY to 50 min average for 2007, the highest growth over the last 5 years. These achievements are the result of a successful execution of series key strategies. Our new pricing strategy, new approach for distribution channel management and successful deployment of new 3,897 BTS had significant impact on our achievements in 2007.

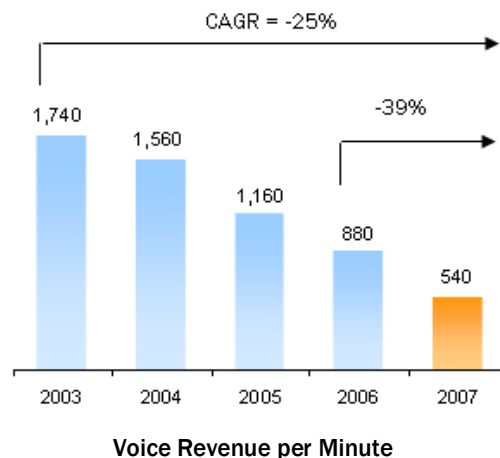
On pricing strategy, starting with tariff simplification in the first quarter of 2007, we offered Rp. 25 per second for both on-net and off-net calls to all *bebas* subscribers. With this, we wanted to provide our customer to have a simple affordable voice tariff. It was then followed by another promotion in the second quarter of 2007 offering an on-net tariff of Rp. 10 per second. With this offer, we recorded progressive increase in call volume. In the third quarter of 2007, we stimulated duration per call by launching Rp. 1 per second for on-net tariff and Rp. 10 per second for off-net tariff. As a result, we successfully boosted our revenue and voice traffic in the third and fourth quarter of 2007.

On distribution channel management, starting from January 2007, we have implemented hybrid distribution system, a new distribution system which is a refinement of our prior direct distribution system. With the implementation of the new system, we expanded our channel to more than 400,000 direct and indirect distribution channels.

Another key success factor in 2007 was deployment of our network infrastructure. We ended this year with 11,157 BTS or an additional 3,897 BTS in 2007. As of end of December 2007, we have reached 90% population coverage, mainly concentrated on the islands of Java, Sumatera and Bali, complemented by selected areas in the other parts of the country.

With the intensifying competition, coverage will no longer be a competitive differentiator as coverage amongst operators in many areas has become comparable. We have added almost 7,000 BTS in 2006 and 2007 alone and consider our coverage as largely completed now.

Currently the MoU per subs in Indonesia is still low compared to other countries. This is mostly because the average revenue per minute in Indonesia is still relatively high compared to other countries. However, revenue/minute has come down consistently and was about Rp 540 for 2007 for XL. With interconnect rates coming down in 2008 and probably again in following years, we expect revenue/minute will continue to decline further. Given the significant reduction in especially the last 2 years, we see no concerns for continued top line growth.





## FINANCIAL MEASURES

### Income Statement

Income Statement (In Rp Billion)	2006	2007	Growth
GSM:			
Postpaid	632	821	30%
Prepaid	4,047	5,602	38%
Interconnection & Inroaming	1,025	1,106	8%
Other GSM (Starter Pack, VoIP, etc.)	486	355	-27%
Total GSM	6,189	7,884	27%
Non GSM	277	480	74%
<b>Revenue</b>	<b>6,466</b>	<b>8,365</b>	<b>29%</b>
Less: Discount	(688)	(375)	-45%
<b>Revenue Net of Discount</b>	<b>5,778</b>	<b>7,990</b>	<b>38%</b>
Interconnection and Telecommunication Service Charges	1,096	1,530	40%
Labor Cost (Permanent & Temporary)	494	574	16%
Marketing Expenses & Sales Commission	654	896	37%
Network Infrastructure Expenses	613	1,077	76%
Support & Overhead Expenses	367	404	10%
<b>Total OPEX</b>	<b>3,224</b>	<b>4,480</b>	<b>39%</b>
<b>EBITDA</b>	<b>2,554</b>	<b>3,509</b>	<b>37%</b>
<b>EBITDA Margin</b>	<b>39%</b>	<b>42%</b>	<b>N/A</b>
Depreciation & Amortization	1,526	1,749	15%
<b>EBIT</b>	<b>1,028</b>	<b>1,760</b>	<b>71%</b>
Other Income/(Expenses)			
Interest expense	(416)	(694)	67%
Interest income	52	51	-2%
Forex gain/(loss)	345	(204)	N/A
Others	(6)	(394)	6811%
<b>Total Other Income/(Expenses)</b>	<b>(25)</b>	<b>(1,242)</b>	<b>4781%</b>
<b>Profit Before Tax</b>	<b>1,002</b>	<b>518</b>	<b>-48%</b>
Income tax expense	(351)	(267)	-24%
<b>Profit After Tax</b>	<b>652</b>	<b>251</b>	<b>-62%</b>

Below is the normalized net income:

Normalized Net Income (In Rp Billion)	2006	2007	Growth
Net Income	652	251	-62%
Less unrealized forex (gain)/ plus unrealized forex loss	(316)	135	N/A
Impact from WHT on USD bond interest (net of tax)	-	336	N/A
<b>Normalized Net Income</b>	<b>336</b>	<b>721</b>	<b>115%</b>

- **Gross postpaid revenue** rose by 30% to Rp 821 billion mainly due to increase in postpaid subscribers of 24%, despite a decline in postpaid ARPU.
- **Gross prepaid revenue** grew 38% to Rp 5.6 trillion mainly due to increase in prepaid subscriber by 64% to 15 million subscribers. Prepaid ARPU slightly increased to Rp. 43 thousand compared to last year. Despite the reduction in average tariff per minute, which was in line with the industry trend, we had successfully managed to stimulate usage per subscriber which results in slightly higher ARPU.
- **Gross interconnection & inroaming revenue** slightly increased by 8% to Rp. 1.1 trillion. The increase was mainly caused by 33% increase in interconnection revenue of jempol product, due to an increase in incoming minutes despite lower interconnection tariffs applied in January 2007. Our inroaming revenue increased significantly with 39% to Rp. 219 billion.
- **Gross other GSM revenue** decreased by 27% to Rp. 355 billion mainly due to lower starter pack revenue. In 2007, we changed the presentation of starter pack revenue. Previously, we recorded the



amount received from the sale of starter packs as revenue and discount as well. In 2007, the recording of starter pack revenue was changed by netting the sales amount with its discount.

- **Gross non GSM revenue** increased by 74% to Rp. 480 billion mainly due to increase in number of customers from our leased line, internet service provider and MPLS business. Gross Non GSM revenue contributed 6% to our gross revenue, compared to last year of 4%. Eventhough growth in non GSM showed a good result, but it only contributed 6% to our gross revenue, while growth in gross GSM revenue was 27% but it contributed 94% to our gross revenue.
- **Non voice/data revenues** increased 30% to Rp 2.4 trillion, which was slightly higher than total gross revenue growth. Therefore, in 2007 non voice/data revenues contributed 29% of gross revenues which was the same with contribution in 2006. The non voice/data revenues mainly (around 84%) consist of SMS revenue.
- **Discounts** decreased 45% to Rp 375 billion, which was due to our decision to change the discount scheme from providing bonus pulsa to direct reduction in tariff, as we believe that the later is more effective in this market.

Operating expenses increased by 39% YoY to Rp 4.5 trillion mainly due to increase in interconnection & telecommunication charges, significant growth in network development, a revamp of pricing strategy and positioning and change in distribution system which caused higher infrastructure expenses and marketing expenses & sales commission.

- **Interconnection and telecommunication service charges** consists of interconnection cost, VAS costs, BHP fee, USO fee, starter pack, voucher costs, and Non GSM costs, all of which increase in line with revenue growth. In 2007, the figure increased 40% to Rp 1.5 trillion, which was largely driven by 31% increase in interconnection cost.
- **Labor cost** rose by 16% to Rp. 574 billion mainly due to annual salary adjustment and 5% growth in number of employee. In Q4, we accrued for a performance bonus for achieving certain targets.
- **Marketing expenses & sales commission** grew 37% to Rp. 896 billion which was mainly due to higher advertising & promotion and sales commission.
- **Network infrastructure expenses** increased by 76% to Rp. 1,077 billion. This was mainly attributable to increase in BTS number of 54% resulting higher frequency fee, BTS utilities expenses, repair & maintenance BTS expenses and rental sites expenses. The frequency fee contributed for 44% of infrastructure expenses.
- **Support & overhead expenses** rose by 10% to Rp. 404 billion, which was driven by increase in utilities expense for our XL Center, professional fee, and insurance fee.

EBITDA rose by 37% YoY with EBITDA margin of 42% or 3% higher than 2006, resulting from a strong focus on cost control, productivity and efficiency.

**Depreciation and amortization expenses** increased by 15% to Rp. 1.7 trillion, mainly due to 54% higher in number of BTS to 11,157 BTS (including 1,375 Node B). In 2007, we extended the estimated useful life of our fiber optic and BTS related network equipments from 8 years to 10 years. In Q4 07, we made an adjustment to the calculation of the decelerated depreciation expense.

Increase in **Other expenses** from net expenses of Rp 25 billion to net expenses of Rp. 1.2 trillion due to:

- Higher interest expense from Rp 416 billion to Rp 694 billion which was driven by new debts issued in 2007 and withholding tax on USD bonds interest for period 2007 as well.
- Forex loss recording of Rp 204 billion in 2007 from forex gain of Rp 345 billion in 2006. Rupiah/USD rate as of 31 December 2007, 2006, and 2005 were Rp 9,419/USD, Rp 9,020/USD, and Rp 9,830/USD, respectively.
- Higher other expenses from Rp 6 billion to Rp. 394 billion due to recognition of withholding tax on USD bonds interest for period 2004 – 2006.

#### WHT Issue

In Jun 2006, we received 2004 tax assessment result on WHT applicable for offshore interest including its penalty for a total amount of Rp 34.3 bn, which was based on WHT rate of 10%. We have submitted an objection on the 2004 tax assessment result in Sep 2006. However, the objection was rejected by the Directorate General of Taxation in Aug 2007 and we were assessed to pay the WHT for period 2004 at 20% rate. The WHT on interest for period 2004 including its penalty was Rp 68.5 bn and has been fully paid to the Tax Office in 3Q 2007. The WHT including its penalty was recorded under Other Expenses.



In Jun 2007, we received 2005 tax assessment result for the similar issue amounting to Rp 86.7 bn which was based on WHT rate of 20%. The result of the underpayment of WHT including its penalty has been paid to the tax office in July 2007.

The total WHT for period 2004 – 2007 including penalty booked in 2007 was Rp 368 bn. The total amount of WHT paid in 2007 was Rp 226 bn.

#### Balance Sheet

Balance Sheet (In Rp Billion)	2006	2007	Growth
<b>Current Assets</b>			
Cash and cash equivalents	587	806	37%
Trade and other receivables - net	208	311	49%
Prepayments	353	504	43%
Others	36	59	67%
<b>Total Current Assets</b>	<b>1,183</b>	<b>1,679</b>	<b>42%</b>
<b>Non-Current Assets</b>	<b>11,453</b>	<b>17,148</b>	<b>50%</b>
<b>Total Assets</b>	<b>12,637</b>	<b>18,827</b>	<b>49%</b>
<b>Current Liabilities</b>			
Trade and other payables	1,997	3,190	60%
Taxes payable	46	96	108%
Deferred revenue	257	410	60%
Current maturity of long term loan	-	400	N/A
Current maturity of long term bond	-	3,283	N/A
<b>Total current liabilities</b>	<b>2,300</b>	<b>7,380</b>	<b>221%</b>
<b>Non-Current Liabilities</b>			
Trade payables	282	323	14%
Deferred tax liabilities	347	614	77%
Long term loan	-	2,166	N/A
Long term bonds	5,345	3,814	-29%
Derivatives payable	42	-	N/A
Provision for employee benefits	39	66	72%
<b>Total Non-Current Liabilities</b>	<b>6,055</b>	<b>6,983</b>	<b>15%</b>
<b>Total Liabilities</b>	<b>8,355</b>	<b>14,362</b>	<b>72%</b>
<b>Equity</b>			
Share capital & capital surplus	3,401	3,401	0%
Retained earnings	881	1,064	21%
<b>Total Equity</b>	<b>4,281</b>	<b>4,465</b>	<b>4%</b>
<b>Total Liabilities and Equity</b>	<b>12,637</b>	<b>18,827</b>	<b>49%</b>

Total asset increased by 49% to Rp. 18.8 trillion, total liabilities increased by 72% to Rp. 14.4 trillion while total equity slightly increased by 4% to Rp. 4.5 trillion as a result of our investment and business activities.

- 42% increase in **current assets** was mainly due to higher cash and cash equivalent, account receivables, prepaid taxes and advances & other prepayments.
- 50% increase in **non-current assets** was mainly due to significant increase in net fixed assets of 51%, which is attributable to the growth in network development (the 54% increase in number of BTS) and adjustment to the calculation of the decelerated depreciation expense due to extended useful life of fiber optic and BTS related network equipment from 8 years to 10 years resulting lower depreciation expense in 2007.
- 221% increase in **current liabilities** was mainly due to re-classification of the USD 350 million bond that was called on 25 January 2008, from long term to current liabilities and increase in trade payables.
- 15% increase in **non-current liabilities** was mainly due to IDR bond issuance of Rp 1.5 trillion in April 2007 and drawdown of bank loans during 2007 of USD 230 million.



## Capital Expenditure

In Billion of Rupiah and In Million of USD	2006		2007		Growth
	USD	IDR	USD	IDR	
Capitalized capex	530	4,503	700	7,088	57%
Paid capex*	446	4,027	729	6,868	71%
Commitments entered into for current year**	500	4,509	668	6,288	39%
Commitments entered into for following year**	25	228	126	1,189	421%

\* The original amount is in IDR, converted to USD using closing rate 31 Dec 2006 and 2007. Exchange rate Rupiah against USD as of 31 December 2007 and 2006 were Rp 9,419/USD and Rp 9,020/USD, respectively.

\*\* The original amount is in USD, converted to IDR using closing rate 31 Dec 2006 and 2007.

## Cash Flow

Cash Flow (In Rp Billion)	2006	2007	Growth
Net cash flow provided from operating activities	2,861	3,959	38%
Net cash flow used in investing activities	(4,518)	(7,127)	58%
<b>Free cash flow</b>	<b>(1,657)</b>	<b>(3,168)</b>	<b>91%</b>
Net cash flow provided from financing activities	1,367	3,383	148%
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(291)</b>	<b>215</b>	<b>N/A</b>
Cash and cash equivalents at the beginning of the year	880	587	-33%
Effect of exchange rate changes on cash and cash equivalents	(3)	4	N/A
<b>Cash and cash equivalents at the end of the period</b>	<b>587</b>	<b>806</b>	<b>37%</b>

- **Net cash flow from operating activities** was Rp. 4.0 trillion due to higher cash receipts from customers and other operators which was driven by increase in subscriber base of 62%.
- **Net cash flow used in investing activities** was Rp. 7.1 trillion mainly due to increase in fixed assets which was attributable to additional 3,897 new BTS (including 1,375 3G Node B) in 2007.
- **Net cash flow from financing activities** was Rp. 3.4 trillion mainly due to external financing obtained from IDR bond issuance of Rp 1.5 trillion and new bank loan during 2007 of Rp 2.5 trillion consisted of USD 230 million and Rp 400 billion.

## Description of Debts

The detail of debts as of 31 December 2006 and 2007 are as follow:

In Rp Billion	2006	2007
Banks	-	2,566
Bonds	5,345	7,098
USD Bond 1 (classified as short term in 2007)	3,131	3,283
USD Bond 2	2,214	2,321
IDR Bond	-	1,493
<b>Total debts</b>	<b>5,345</b>	<b>9,664</b>

As of 31 December 2007, outstanding debts of Rp 9.7 trillion consist of:

- USD 350 million bond due in January 2009 which was called at par on 25 January 2008 (short term)
- USD 250 million bond due in January 2013
- IDR 1.5 trillion bond due in April 2012
- Bank loan from credit facilities as of 31 December 2007 consist of:



Bank	Total Facility	Utilization	Balance	Year of Maturity
<b>USD Loan (in million)</b>				
Bank Mizuho Indonesia	USD 50 mn	USD 50 mn	-	2010
Standard Chartered Bank	USD 100 mn	USD 100 mn	-	2010
Standard Chartered Bank	USD 110 mn	-	USD 110 mn	-
Bank DBS Indonesia	USD 50 mn	USD 50 mn	-	2010
JPMorgan Chase Bank	USD 30 mn	USD 30 mn	-	2010
<b>TOTAL</b>	<b>USD 340 mn</b>	<b>USD 230 mn</b>	<b>USD 110 mn</b>	
<b>IDR Loan (in trillion)</b>				
BCA	IDR 2.0 tn	-	IDR 2.0 tn	-
Bank DBS Indonesia	IDR 0.7 tn	-	IDR 0.7 tn	-
Bank Mandiri	IDR 4.0 tn	IDR 0.4 tn	IDR 3.6 tn	Amortizing every year, final repayment is in 2012.
<b>TOTAL</b>	<b>IDR 6.7 tn</b>	<b>IDR 0.4 tn</b>	<b>IDR 6.3 tn</b>	

Additionally, during January 2008, we have signed credit facilities with several banks for a total amount of USD 100 mn.

XL latest credit ratings issued are as follow:

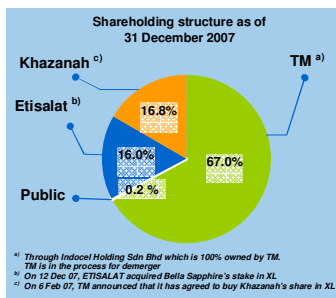
	Foreign Currency	Local Currency	Outlook
Moody's	Ba2	-	Stable*
Standard & Poor's	BB-	-	Stable
Fitch Ratings	-	AA(idn)	Stable
Pefindo	-	idAA-	Stable

\* As of 25 January 2008

XL has entered into several foreign currency contracts for a total notional amount of USD 377.5 million to hedge the exposure from the USD borrowings (45% of the total foreign exchange denominated debt).

As at 31 December 2007, our Debt/EBITDA ratio stood at 2.8x (covenant of 4.5x) and our EBITDA/Interest Expense ratio was 5.1x.

## Dividend



Based on the Company's Articles of Association, if the Company recorded net income in the current fiscal year, the Company can distribute dividend to the shareholders based on a recommendation from the Board of Directors and after having obtained approval from the Annual General Meeting of Shareholders. In consistent with last year's dividend policy for 2007 fiscal year, the BOD intends to propose to the AGM a dividend distribution for 2007 of 20% of normalized Net Income (Net Income adjusted for unrealized forex gain/(loss) and withholding tax impact), equivalent to approximately Rp 20 per share, an increase of 115% compared to dividend per share in 2006 of Rp 9 per share.



## OPERATING MEASURES

Operating Key Performance Indicator	2006	2007	Growth
Total O/G Minutes of Usage (billion minutes)	2.9	6.8	136%
O/G MOU/subs/month (minutes)	29	50	74%
Total O/G SMS (billion SMS)	8.5	12.6	48%
O/G SMS/subs/month (SMS)	82	92	12%
Total # subscriber (000)	9,528	15,469	62%
Prepaid	9,141	14,988	64%
Postpaid	387	481	24%
ARPU blended (Rp 000)	46	47	2%
Prepaid	42	43	2%
Postpaid	172	155	-10%
Total BTS	7,260	11,157	54%
Number of Employee (permanent)	2,042	2,136	5%

### MOU and Subscribers

Total Outgoing MoU in FY 2007 was 6.8 bn a 136% increase from FY 2006 of 2.9 bn. The increase in MoU was driven by increase in subscribers' usage and number of subscribers. FY 2007 blended O/G MoU per subscriber was 50 minutes, increased by 74% YoY from FY 2006 of 29 minutes. Outgoing MoU per subscriber increased by 80% QoQ to 83 minutes in Q4 from 46 minutes in Q3. The subscriber base increased by 62% to 15.5 million from 9.5 million in FY 2006. The increase in the MoU and number of subscribers was contributed by our new pricing strategy and continuously improved coverage, quality and brand awareness during 2007. FY 2007 blended SMS per subscriber was 92 SMS, increased by 12% from FY 2006 of 82 SMS mainly due to the special off peak tariffs of Rp 45/sms offered to our Jempol subscribers.

### ARPU

FY 2007 prepaid, postpaid and blended ARPUs were Rp. 43k, Rp. 155k and Rp. 47k respectively. Although the general industry trend shows declining ARPUs, our prepaid and blended ARPUs were slightly higher than FY 2006, mainly due to the increase in MoU per subscribers despite lower revenue per minute.

### RECENT DEVELOPMENTS

#### Update on Infrastructure Initiatives

We are exploring options to unlock the value of our passive infrastructure with the objective to improve our return profile and create shareholder value. Recently, a business unit was established to manage and execute on the tower sharing. MoU, that we have signed with several operators.

In a next step, we will establish a separate entity to manage our passive infrastructure and we intend to sell a stake in this entity late this year.

#### Update on Demerger of TM Group

Following to the TM demerger process, on 10 December 2007, TM entered into an agreement with its wholly owned subsidiaries, i.e. Telekom Enterprise Sdn. Bhd., TM International, Celcom (Malaysia) Berhad and Celcom Transmission (M) Sdn. Bhd. for Proposed Internal Restructuring.

Following the Proposed Internal Restructuring, TM proposed to distribute its entire holdings in and rights to ordinary shares of RM 1.00 each in TM International to the entitled shareholders of TM.

In connection with demerger process, the TM Board proposed as follow:

- proposed shareholders' mandate for the issuance of up to 10% of the enlarged issued and paid-up share capital of TM International after the proposed demerger;
- proposed employee share option scheme for eligible employees and executive directors of TM and its subsidiaries.

The demerger process is on track to be finalized in 2Q 2008.



▪ **Update Rajawali Share Sale to Etisalat**

In December 2007, PT Rajawali Corpora has sold its entire portion of XL shares, 16%, to Emirates Telecommunications Corporation (ETISALAT) International Indonesia Ltd with total value of USD 438 million.

▪ **Tax Call**

On 25 January 2008, our subsidiary, Excelcomido Finance Company B.V., has redeemed all of the USD 350 mn, 8% Guaranteed Notes due on 2009 at a price of 100% of the nominal value.

**2008 GUIDANCE**

- Revenue is expected to grow with a mid 20's %
- We currently anticipate no significant change in EBITDA margin
- Capex plan (new commitments) is USD 650 million.

**ABOUT XL**



XL is a major cellular provider in Indonesia and majority owned by Telekom Malaysia Berhad through Indocel Holding Sdn Bhd (67.0%), Khazanah Nasional Berhad (16.8%) and Etisalat (16%). XL owns an extensive fiber optic backbone network. Started commercial operation in October 1996, XL's business consists of Consumer Solutions as triple band (900/1800/1900) cellular network and service provider; and Business Solutions as corporate service provider.

Date: 20 February 2007